

OPEN MEETING ITEM

COMMISSIONERS
DOUG LITTLE - Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN



ARIZONA CORPORATION COMMISSION

ORIGINAL

DATE: OCTOBER 31, 2016

DOCKET NO.: W-01815A-14-0173 AND W-01815A-16-0142

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Sasha Paternoster. The recommendation has been filed in the form of an Order on:

GOLDEN SHORES WATER CO., INC.
(RATES/FINANCING)


Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

NOVEMBER 9, 2016

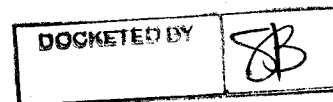
The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

NOVEMBER 17, 2016

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.


JODI A. JERICH
EXECUTIVE DIRECTOR

Arizona Corporation Commission
DOCKETED
OCT 31 2016



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On this 31st day of October, 2016, the following document was filed with Docket Control as a Recommended Order from the Hearing Division, and copies of the document were mailed on behalf of the Hearing Division to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the filed document to the following who have consented to email service.

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 DOUG LITTLE – Chairman
4 BOB STUMP
5 BOB BURNS
6 TOM FORESE
7 ANDY TOBIN

8 IN THE MATTER OF THE APPLICATION OF
9 GOLDEN SHORES WATER CO., INC. FOR
10 APPROVAL OF A RATE INCREASE.

DOCKET NO. W-01815A-14-0173

11 IN THE MATTER OF THE APPLICATION OF
12 GOLDEN SHORES WATER CO., INC. FOR
13 APPROVAL OF A FINANCING APPLICATION.

DOCKET NO. W-01815A-16-0142

DECISION NO. _____

ORDER

14 Open Meeting
15 November 17, 2016
16 Phoenix, Arizona

17 **BY THE COMMISSION:**

18 * * * * *

19 Having considered the entire record herein and being fully advised in the premises, the Arizona
20 Corporation Commission (“Commission”) finds, concludes, and orders that:

21 **FINDINGS OF FACT**

22 **I. Procedural History**

23 1. On June 2, 2014, Golden Shores Water Company, Inc. (“Golden Shores” or
24 “Company”) filed with the Commission an application for a determination of the fair value of its plant
25 and property for the provision of public utility service and for an increase in its rates and charges for
26 water utility service based thereon (“Rates Docket”).¹ Golden Shores’ application used a test year
27 (“TY”) ending December 31, 2013. Golden Shores’ customers are almost exclusively residential
28 customers served by 5/8” x 3/4” water meters.

2. On June 11, 2014, Golden Shores filed a request for a one time waiver to file its rate

¹ In Decision No. 74168 (October 25, 2013), Golden Shores was ordered to file an application for a permanent rate increase no later than May 30, 2014. Golden Shores completed a rate application for water companies with annual gross operating revenues of less than \$250,000.

1 application for a water utility classes D&E, with revenues less than \$250,000, citing lack of funds to
2 file a rate case for a Class C Utility.

3 3. On July 1, 2014, the Commission's Utilities Division ("Staff") issued a Letter of
4 Deficiency.

5 4. On August 14, 2014, Staff filed a Letter of Sufficiency indicating that Golden Shores'
6 application had met the sufficiency requirements outlined in Arizona Administrative Code ("A.A.C.")
7 R14-2-103, and classifying Golden Shores as a Class C Utility.

8 5. On August 20, 2014, a Procedural Order was issued scheduling an evidentiary hearing
9 to commence on February 10, 2015, and requiring the filing of direct testimony and responsive
10 testimony by December 26, 2014 and January 12, 2015, respectively, and other procedural deadlines
11 were established.

12 6. On October 9, 2014, Golden Shores filed an Affidavit of Mailing stating that the
13 prescribed customer notice had been mailed on September 17, 2014.

14 7. On October 14, 2014, Golden Shores filed an Affidavit of Publication showing that the
15 prescribed customer notice had been published in the October 2014 edition of the *Topock Topics*, a
16 monthly newsletter of general circulation in Golden Shores' service area.

17 8. On December 10, 2014, Staff filed a Motion to Suspend Timeclock stating that through
18 the course of discovery, Staff learned that Golden Shores needed to file an application for the approval
19 of financing. Staff stated the financing application should be filed before Staff filed its direct testimony
20 in the rate case and, as a result of that delay, Golden Shores would need to update the TY for its
21 permanent rate application, from a TY ending December 31, 2013 to a TY ending December 31, 2014.
22 The updated application would require Golden Shores to submit 2014 bill counts for all meter sizes,
23 2014 balance sheet and income statements, as well as other updated 2014 data. Staff believed Golden
24 Shores would need six months to provide the additional information. Therefore, Staff requested that
25 the timeclock in this docket be suspended, and that the timeclock be reinstated upon Golden Shores'
26 filing of updated TY information and Golden Shores' filing a financing application.

27 9. On December 12, 2014, Staff filed a supplement to its motion, correcting a
28 typographical error and indicating that Golden Shores supported Staff's proposed suspension of the

1 timeclock.

2 10. On December 16, 2014, by Procedural Order, the procedural schedule was vacated and
3 the timeclock was suspended.

4 11. Effective January 16, 2015, per the Notice of Final Rulemaking, A.A.C. R14-2-103 was
5 amended by, among other items, updating the annual in-state operating revenue thresholds that classify
6 utilities as class A, B, C, D, or E.

7 12. On February 10, 2015, the hearing convened for purposes of taking public comment
8 only.

9 13. On May 26, 2015, Golden Shores filed a financing application in Docket No. W-
10 01815A-15-0166.

11 14. On July 9, 2015, Golden Shores filed its Amended Rate Application with a TY of 2014,
12 reporting total annual operating revenues of \$677,935.58, if the Company's requested revenue increase
13 is approved by the Commission. Such annual operating revenues, inclusive of the requested rate relief,
14 would render Golden Shores a Class D Utility under the new rules.

15 15. On August 7, 2015, Staff issued a Letter of Deficiency regarding the Amended Rate
16 Application.

17 16. On September 3 and September 30, 2015, Golden Shores filed its responses to Staff's
18 Data Requests.

19 17. On October 5, 2015, Staff filed its Motion to Reinstate the Timeclock.

20 18. On October 9, 2015, by Procedural Order, a procedural conference was scheduled for
21 October 22, 2015, to discuss Staff's Motion to Reinstate the Timeclock as well as whether the current
22 version of A.A.C. R14-2-103 should apply to Golden Shores' Amended Rate Application, negating the
23 requirement for a hearing, or whether the application should be processed under the rules that were
24 effective at the time the original rate application was filed, necessitating an evidentiary hearing.

25 19. On October 20, 2015, Golden Shores filed a request to appear telephonically for the
26 October 22, 2015 procedural conference, which was granted by a Procedural Order also dated October
27 20, 2015.

28 20. On October 22, 2015, a procedural conference was held as scheduled at the

Commission's offices in Phoenix, Arizona. Golden Shores was represented telephonically by Eileen Sparks, its Secretary, who verified she had authority to represent the Company. Staff appeared through counsel. Golden Shores and Staff both supported proceeding with the matter under the new classifications in A.A.C. R14-2-103, in which Golden Shores would be considered a Class D utility, thereby negating the need for a hearing. However, Staff expressed concern over the shorter timeframe due to current workload and asked for an additional 60 days to process the application. Ms. Sparks did not express opposition to Staff's request for additional time. Further, Staff supported consolidating the Rates Docket with the financing application in Docket No. W-01815A-15-0166 while Ms. Sparks indicated Golden Shores might withdraw the financing application because controllers had been installed on Golden Shores' existing wells, increasing their efficiency. Ms. Sparks stated it would be clear whether funding for a new well was needed within 30 days, at which point Golden Shores would determine whether or not to withdraw its financing application. Ms. Sparks further stated that consolidation of the dockets was preferred if Golden Shores were to determine to proceed with the financing application. Staff said its engineer would review the efficiencies of Golden Shores' wells when it conducted its site inspection.

21. On October 28, 2015, by Procedural Order, Golden Shores was directed to file items found missing from its rate and financing applications and Staff was directed to file a new sufficiency letter regarding the Company's Amended Rate Application once those items were filed. The Procedural Order also granted Staff's request for an additional 60 days to process the Company's Amended Rate Application, directing the Staff Report to be filed 135 days from the date of sufficiency, and extending the Commission's timeclock for issuing a final order in this matter in a corresponding manner.

22. On November 30, 2015, Golden Shores filed a formal request to withdraw its financing application in Docket No. W-01815A-15-0166.

23. On February 5, 2016, Golden Shores filed the missing items requested of the Company in the October 28, 2015 Procedural Order.

24. On March 31, 2016, Staff filed a Letter of Sufficiency indicating Golden Shores' Amended Rate Application had met the sufficiency requirements outlined in A.A.C. R14-2-103, and

1 classifying Golden Shores as a Class D Utility.

2 25. On April 8, 2016, Staff filed a Correction to Letter of Sufficiency filed on March 31,
3 2016, extending the due date of the Staff Report from June 15, 2016 to August 12, 2016, pursuant to
4 the October 28, 2015 Procedural Order.

5 26. On April 15, 2016, a Procedural Order was issued scheduling filing dates.

6 27. On April 29, 2016, Golden Shores filed with the Commission a financing application in
7 Docket No. W-01815A-16-0142 ("Finance Docket").

8 28. On July 6, 2016, Staff filed a Motion to Consolidate in both the Financing Docket and
9 the Rates Docket. Staff stated that the Company's applications are directly related and that Staff
10 resources would be better utilized if both dockets were consolidated.

11 29. On July 19, 2016, by Procedural Order, the above captioned dockets were consolidated.

12 30. On August 12, 2016, Staff filed a Staff Report recommending approval of the
13 applications.

14 31. On August 16, 2016, Golden Shores filed a rate design in the docket.

15 32. On September 19, 2016, Golden Shores filed its Comments to the Staff Report, stating
16 that Golden Shores accepts Staff's recommendations but requests that the Company be authorized to
17 use loan proceeds to be reimbursed for previous funds spent on meter and meter installation costs that
18 were incurred beginning January 1, 2016, rather than beginning July 26, 2016, as recommended by
19 Staff.

20 33. On October 4, 2016, Staff filed its Reply to Golden Shores Water Company's Response
21 to Staff Report indicating Staff's agreement to the Company's request.

22 34. Several public comments in opposition to the Company's rate application, and one in
23 support, have been submitted by customers during the pendency of this docket.

24 **II. Background**

25 35. Golden Shores is a Class D Arizona public service corporation providing water service
26 to approximately 1,528 customers in Mohave County, Arizona. The Commission approved the
27 Company's present permanent rates and charges in Decision No. 61832 (July 20, 1999) and approved
28 interim emergency rates in Decision No. 74168 (October 25, 2013).

36. Currently, Golden Shores' rate structure provides for a monthly minimum charge based on meter size and a uniform commodity rate that applies to all usage.

37. The Company's water system consists of two active wells capable of producing 1,600 gallons per minute ("GPM"), three storage tanks, five booster pumps, and a distribution system.

38. During the TY, Golden Shores reported 118,986,000 total gallons pumped and 114,078,000 gallons sold, resulting in a reported water loss ratio of approximately 4.12 percent².

39. Based on Staff's engineering analysis, the Company has adequate production capacity and storage capacity to serve the existing customer base and anticipated growth.

40. Golden Shores is not located in any Arizona Department of Water Resources ("ADWR") Active Management Area ("AMA"). According to an ADWR Compliance Status Report dated April 6, 2016, the Company is in compliance with departmental requirements governing water providers and/or community water systems.

41. An Arizona Department of Environmental Quality ("ADEQ") Compliance Status Report dated May 14, 2016 stated the Company's drinking water system, Public Water System ("PWS") No. 08-024, was delivering water that meets water quality standards required by 40 C.F.R. 141 and A.A.C. Title 18, Chapter 4.

42. Staff's Compliance Section reported no delinquent compliance items for Golden Shores.

43. Staff's Consumer Services database showed no complaints have been filed against the Company from January 1, 2013 to July 21, 2016.

44. Golden Shores has approved Curtailment Plan and Backflow Prevention Tariffs on file with the Commission.

III. Rate Application

A. Adjustments to Rate Base and Operating Income

45. Golden Shores proposed an original cost rate base ("OCRB") of \$134,352.³

46. Staff determined the Company's OCRB to be \$330,470, due to Staff's adjustments to plant balances and accumulated depreciation. Golden Shores did not object to Staff's recommended

² Staff indicates that a water loss ratio of 10 percent or less is acceptable.

³ The Company did not propose a fair value rate base different from its OCRB.

1 OCRB.

2 47. We find that Staff's adjustments to the Company's OCRB are reasonable and
3 appropriate, and should be adopted. We further find that Golden Shores' fair value rate base ("FVRB")
4 is equivalent to its OCRB of \$330,470.

5 48. Staff accepted Golden Shores' total test year operating revenue of \$548,007.

6 49. We find the test year operating revenue is reasonable and appropriate and adopt the test
7 year operating revenue amount of \$548,007.

8 50. Staff made several adjustments to the Company's operating expenses resulting in a net
9 increase of \$20,649, to account for provision of salary to a Company Officer, water testing, property
10 and income tax expense, and interest on customer security deposits, as well as a decrease in
11 depreciation expense. Staff's adjustments result in test year operating expense of \$543,011, which the
12 Company did not dispute.

13 51. We find that Staff's adjustments to test year operating expense are reasonable and
14 appropriate and adopt an adjusted test year operating expense amount of \$543,011.

15 52. Based on Staff's analysis, Golden Shores' present rates and charges resulted in test year
16 operating income of \$4,996, for a 1.51 percent rate of return on the Company's FVRB of \$330,470.

17 53. The parties recommend, and we agree, that the Company should use the depreciation
18 rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category
19 as set forth in Table F-1 of the Engineering Report of the Staff Report filed in this matter.

20 **B. Revenue Requirement**

21 54. Staff and the Company recommend approval of permanent rates to produce annual
22 operating revenue of \$630,217, which is inclusive of \$48,914 estimated revenue from a Staff
23 recommended Water Infrastructure Financing Authority of Arizona ("WIFA") loan surcharge. The
24 total recommended revenue would be an increase of \$825,210, or 15 percent, over adjusted test year
25 revenue of \$548,007, to provide an operating income of \$79,978, for a 9.4 percent rate of return on the
26 Company's FVRB of \$330,470.

27 55. According to Staff, the recommended revenue requirement will provide the Company
28 with sufficient cash flow to pay normal operating expenses and manage contingencies.

56. We find that Staff's recommended revenue requirement, as agreed by Golden Shores, is just and reasonable and should be adopted.

C. Rate Design

57. Staff and the Company are in agreement on a recommended rate design. The rates and charges for the Company at present, and as recommended by the parties, are as follows:

MONTHLY USAGE CHARGE:

	Present Rates	Recommended Rates
5/8" x 3/4" Meter	\$20.00	\$21.00
3/4" Meter	20.00	31.50
1" Meter	61.00	52.50
1 1/2" Meter	150.00	105.00
2" Meter	305.00	168.00
3" Meter	350.00	336.00
4" Meter	400.00	525.00
6" Meter	900.00	1,050.00

COMMODITY RATES

All Meter Sizes

Per 1,000 Gallons	\$1.52	N/A
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5/8" x 3/4" Meter - Residential

0 to 3,000 Gallons	N/A	\$1.52
3,001 to 10,000 Gallons	N/A	1.72
Over 10,000 Gallons	N/A	1.90

5/8" x 3/4" Meter - Commercial

First 10,000 Gallons	N/A	1.72
Over 10,000 Gallons	N/A	1.90

3/4" Meter - Residential & Commercial

First 10,000 Gallons	N/A	1.72
Over 10,000 Gallons	N/A	1.90

1" Meter - Residential & Commercial

First 25,000 Gallons	N/A	1.72
Over 25,000 Gallons	N/A	1.90

1 1/2" Meter - Residential & Commercial

First 50,000 Gallons	N/A	1.72
Over 50,000 Gallons	N/A	1.90

...

2" Meter – Residential & Commercial

First 80,000 Gallons	N/A	1.72
Over 80,000 Gallons	N/A	1.90

3" Meter – Residential & Commercial

First 160,000 Gallons	N/A	1.72
Over 160,000 Gallons	N/A	1.90

4" Meter – Residential & Commercial

First 250,000 Gallons	N/A	1.72
Over 250,000 Gallons	N/A	1.90

6" Meter – Residential & Commercial

First 500,000 Gallons	N/A	1.72
Over 500,000 Gallons	N/A	1.90

Standpipe – Bulk Water

All Gallons	\$2.25	\$1.90
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SERVICE LINE AND METER INSTALLATION CHARGE

(Refundable pursuant to A.A.C. R14-2-40-5)

	<u>Present Rates</u>		<u>Recommended Rates</u>	
	<u>Total Charge</u>	<u>Service Line Charge</u>	<u>Meter Installation Charge</u>	<u>Total Charge</u>
5/8" x 3/4" Meter	\$410	\$400	\$100	\$500
3/4" Meter	455	415	160	575
1" Meter	520	420	225	675
1 1/2" Meter	740	470	430	900
2" Meter	1,800	750	1,415	2,165
3" Meter	2,340	960	1,700	2,660
4" Meter	3,405	1,500	2,765	4,265
6" Meter	6,510	2,100	5,650	7,750

SERVICE CHARGE:

	<u>Present Rates</u>	<u>Recommended</u>
Establishment	\$30.00	\$35.00
Reconnection (Delinquent)	45.00	45.00
After Hours Service Charge	45.00	50.00
Meter Test (If Correct)	30.00	30.00
Deposit	60.00	*
Deposit Interest	A.A.C R14-2-403 3.1	**
Re-Establishment (Within 12 Months)	A.A.C R14-2-403 3.1	***
NSF Check	\$10.00	\$20.00
Deferred Payment, Per Month	1.50%	****
Meter Reread (If Correct)	\$15.00	\$20.00
Late Payment Fee (Per Month)	1.5% of Unpaid Balance	*****

* Per A.A.C. R14-2-403(B).

** Per A.A.C. R14-2-403(B) 6%

*** Number of months off the system times the monthly minimum per A.A.C. R14-2-403(D)

**** 1.50 percent per month of unpaid balance per A.A.C. R14-2-409(G)

***** 1.50 percent per month of unpaid balance per month of \$5 whichever is greater.

58. Staff's recommended rates without the estimated loan surcharge would increase the current monthly bill for the typical residential bill by \$1.02, from \$24.74 to \$25.76, for an increase of 4.1 percent. Staff's recommended rates inclusive of the estimated loan surcharge would increase the current average monthly bill for the same residential customer by \$3.67, from \$24.74 to \$28.41, for an increase of 14.8 percent.

IV. Financing Application

59. Golden Shores requests authorization to incur long-term debt financing from WIFA in the form of a 20-year amortizing loan with a 5.00 percent interest rate.

60. Golden Shores proposes to use the proceeds from the loan to replace meters and valves that are over 30 years old, to purchase a back-up generator, and to upgrade infrastructure at an agreed cost of \$514,700.⁴

61. The Company also requests approval to use a portion of the loan proceeds to reimburse the Company for previous funds spent on meters and meter installation costs that were incurred beginning January 1, 2016.⁵

62. Golden Shores proposes to use the proceeds from the loan for the following capital improvement projects:

Qty.	Description	Price	Cost	Total Cost
1	Generac Commercial Series 150KW Standup Generator (277/480V-NG) SCAQMD Complaint		\$29,399.00	\$29,399.00
42	Dana Kepner – Valve Replacement Gate Valve 4"			
	4" MJ RW DI OL Valve, Less Accs	\$394.30	\$16,560.60	
84	4" MJ Compact Accessory Pack w/Gland	\$17.56	\$1,475.04	
42	4" 6855 Domestic Valve Box Bottom Section Slip Type	\$67.59	\$2,838.78	
42	4" Domestic 16" Valve Box Top Section Slip Type	\$78.55	\$3,299.10	
42	5-1/4" Domestic VB Drop Lid Marked "WATER"	\$16.44	\$690.48	\$24,864.00

⁴ According to the finance application, Golden Shores sought approval of a \$550,345 loan to complete the listed capital improvement projects. Upon review of the plant cost estimates and construction plans, Staff found the amounts to equal \$514,700.

⁵ In its response to the Staff Report, the Company agreed with all but one of Staff's recommendations, requesting authorization to be reimbursed for meters and meter installation costs that were incurred beginning January 1, 2016 rather than July 29, 2016. In its Reply to Golden Shores Water Company's Response to Staff Report, Staff agreed with the Company's request.

1	15	Dana Kepner – Valve Replacement Gate Valve 6”			
	30	6” MJ RW DI OL Valve, Less Accs	\$503.18	\$7,547.70	
2	15	6” MJ Compact Accessory Pack w/Gland	\$26.49	\$794.70	
	15	6” 6855 Domestic Valve Box Bottom Section Slip Type	\$67.59	\$1,013.85	
	15	6” Domestic 16” Valve Box Top Section Slip Type	\$78.55	\$1,178.25	
3	15	5-1/4” Domestic VB Drop Lid Marked “WATER”	\$16.44	\$246.60	10,781.10
4	500	Dana Kepner – Meters ⁶			
		NL 3/4” C38-23-2.5 Ford Meter Cplg. Meter Swivel Nut by	\$10.02 pcs	\$5,010.00	
5	900	Maleiron pipe Thread (2 1/2” long)			
	15	NL 3/4” Ford Straight Ball Meter Valve, Pack J	\$70.88 pcs	\$63,792.00	
	15	3/4” x 300’ CTS 200 PSI Polyethylene Tubing Dr 9	\$.24/ft	\$1,080.00	
6	900	#51 Ford Insert Stiffener for 3/4” (CTS)	\$1.46 pcs	\$1,314.00	\$71,196.00
7	1120	Radio Read System			
	1550	5/8 x 3/4 accuSTREAM, TR/PL, 1 gal, LPLA	\$106.62	\$119,414.40	
8	1	520M MXU, 1 port, TC Hourly Read, Lead DET	\$162.00	\$251,100.00	
	1	6501-GBSensus Hand Helt Upgrade w/Dock Station	\$5,700.00	\$5,700.00	
9	1	Autoread Upgrade to Walk by/Drive by	\$1,695.00	\$1,695.00	
	1	Smart Point Command Link	\$550.00	\$550.00	378,459.40
10					514,699.50

63. Staff reviewed the Company’s proposed capital improvement projects and concluded that the projects are appropriate and the related cost estimates are reasonable. However, Staff states that no used and useful determination of the proposed additions and improvements was made, and no particular future treatment should be inferred for ratemaking or rate base purposes.

64. Staff and Golden Shores recommend approval of a WIFA loan surcharge to fund the debt service on the proposed loan.⁷ Staff estimates that a monthly loan surcharge in the amount of approximately \$2.65 per customer will generate sufficient cash flow for Golden Shores to meet its financial obligation under the terms of the proposed loan. Staff’s calculations are based on a \$514,700 WIFA loan, over 20 years, at 5.00 percent interest, and would require the Company to generate an annual cash flow of \$48,913.76⁸ through the surcharge.⁹

⁶ The numbers and descriptions provided for the Dana Kepner project as set forth in this table are pursuant to the Dana Kepner Company, Inc. invoice, attached hereto as Exhibit A.

⁷ Though not requested in its finance application, the Company accepts Staff’s recommendation.

⁸ Staff typically includes an amount to cover income taxes on the surcharge revenue. However, in this case, once the \$41,453 in additional depreciation expense resulting from the WIFA funded plant is added to the Company’s total expenses and the Company deducts the \$26,665 in interest, then the Company’s total federal and state tax on its total revenue including the surcharge will be approximately \$4,100. Because Staff’s recommended level of income taxes (i.e., \$8,000, see Income Statement) is more than the Company will actually have to pay, Staff did not include a component for income taxes in the surcharge.

⁹ The surcharge mechanism establishes the methodology for calculating the surcharge amounts to be applied to the rates established in this rate application. Once the Company has closed on the loan, it would submit an application in this Docket requesting implementation of the surcharge, prompting Staff to calculate the appropriate surcharge and prepare and file a recommended order for Commission consideration.

65. Staff also calculated Golden Shores' *pro forma* debt service coverage ("DSC")¹⁰ at 2.54 and the Times Interest Earned Ratio ("TIER")¹¹ at 3.15, meaning the Company's cash flow will be adequate to meet all obligations.

V. Staff's Recommendations

66. Staff recommends the following:

- (a) Approval of the Staff-recommended rates and charges as shown on Schedule CSB-20 of the Staff Report filed in this matter;
- (b) The Company to file with Docket Control, as a compliance item in this Docket, a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding;
- (c) The Company to, as a compliance item in this case, notify its customers of the authorized rates and charges approved in this proceeding, and their effective date, in a form acceptable to Staff, by means of an insert in its next regularly scheduled billing and to file copies with Docket Control within 10 days of the date notice is sent to customers;
- (d) The Company to file with Docket Control, as a compliance item in this Docket, a schedule of its approved rates and charges within 30 days after the Decision in this matter is issued;
- (e) Approval of the Company's application for authorization to issue long-term debt to WIFA in an amount not to exceed \$514,700. Staff further recommends that the Company be authorized to use a portion of the loan proceeds to be reimbursed for previous funds spent on the meters and meter installations costs that were incurred beginning January 1, 2016;
- (f) Approval of the associated surcharge mechanism that may result in a surcharge

¹⁰ DSC ratio represents the number of times internally generated cash will cover required principal and interest payments on short-term and long-term debt. A DSC greater than 1.0 indicates that cash flow from operations is sufficient to cover debt obligations. A DSC less than 1.0 means that debt service obligations cannot be met by cash generated from operations and that another source of funds is needed to avoid default.

¹¹ TIER represents the number of times earnings before income tax expense covers interest expense on debt. A TIER greater than 1.0 means that operating income is greater than interest expense. A TIER less than 1.0 is not sustainable in the long term but does not necessarily mean that debt obligations cannot be met in the short term.

- 1 of \$2.65 per month per customer;
- 2 (g) The actual amount of the WIFA loan surcharge be calculated based upon the
- 3 actual terms of the WIFA loan and actual number of customers at the time of
- 4 loan closing;
- 5 (h) The Company to file as a compliance item in this docket, within 30 days of the
- 6 execution of any financing transaction authorization herein, a notice confirming
- 7 such execution has occurred and a certification by an authorized Company
- 8 representative that the terms of the financing fully comply with the
- 9 authorizations granted;
- 10 (i) The Company provide to Staff, upon request, a copy of any loan documents
- 11 executed pursuant to the authorizations granted herein;
- 12 (j) That upon filing the loan closing notice, the Company file in this Docket an
- 13 application requesting implementation of the associated surcharge;
- 14 (k) That within 30 days of the filing of a surcharge implementation request, Staff
- 15 shall calculate the appropriate WIFA surcharge and prepare and file a
- 16 recommended order for Commission consideration;
- 17 (l) Approval of the loan and surcharge be rescinded if the Company has not drawn
- 18 funds from the loan within one year of the date of the Decision resulting from
- 19 this proceeding;
- 20 (m) That upon approval of the WIFA surcharge, the Company shall open a separate
- 21 interest-bearing account in which all surcharge monies collected from customers
- 22 will be deposited;
- 23 (n) The only disbursement of funds from this account will be to make debt service
- 24 and WIFA reserve payments to WIFA;
- 25 (o) That the Company be directed to record the loan principal portion of the
- 26 surcharge in its books and records as CIAC;
- 27 (p) The surcharge automatically expire at the end of the loan term, usually 240
- 28 months or upon full payment of the loan, whichever occurs first; and

1 (q) That Golden Shores use the Staff recommended depreciation rates listed in Table
2 F of the Engineering Report attached to the Staff Report in this matter.

3 67. We find that Staff's recommendations, as modified herein, are just and reasonable and
4 in the public interest, and should therefore be adopted.

5 **CONCLUSIONS OF LAW**

6 1. Golden Shores Water Co., Inc. is a public service corporation within the meaning of
7 Article XV of the Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-301, and 40-302.

8 2. The Commission has jurisdiction over Golden Shores Water Co., Inc. and the subject
9 matter of the applications.

10 3. Notice of the applications was provided in the manner prescribed by law.

11 4. Golden Shores Water Co., Inc.'s fair value rate base is \$330,470.

12 5. The rates, charges, and conditions of service authorized herein are just, reasonable, and
13 in the public interest and should be approved without a hearing.

14 6. The authorizations granted herein are for lawful purposes which are within the corporate
15 powers of the Company, are compatible with the public interest, with sound financial practices, and
16 with the proper performance by the Company of service as a public service corporation, and will not
17 impair the Company's ability to perform that service.

18 7. The financing approved herein is for the purposes stated in the financing application, is
19 reasonably necessary for those purposes, and is not reasonably chargeable to operating expenses or to
20 income.

21 8. Approval of the proposed financing should not guarantee or imply any specific
22 treatment of any capital additions for ratemaking or rate base purposes.

23 9. Staff's recommendations, as modified and discussed herein, are just and reasonable and
24 in the public interest.

25 **ORDER**

26 IT IS THEREFORE ORDERED that Golden Shores Water Co., Inc. shall file with Docket
27 Control, as a compliance item in this docket, by December 31, 2016, revised schedules setting forth
28 the following rates and charges:

MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$21.00
3/4" Meter	31.50
1" Meter	52.50
1 1/2" Meter	105.00
2" Meter	168.00
3" Meter	336.00
4" Meter	525.00
6" Meter	1,050.00

COMMODITY RATES**All Meter Sizes**

Per 1,000 Gallons	N/A
-------------------	-----

5/8" x 3/4" Meter - Residential

0 to 3,000 Gallons	\$1.52
3,001 to 10,000 Gallons	1.72
Over 10,000 Gallons	1.90

5/8" x 3/4" Meter - Commercial

First 10,000 Gallons	1.72
Over 10,000 Gallons	1.90

3/4" Meter - Residential & Commercial

First 10,000 Gallons	1.72
Over 10,000 Gallons	1.90

1" Meter - Residential & Commercial

First 25,000 Gallons	1.72
Over 25,000 Gallons	1.90

1 1/2" Meter - Residential & Commercial

First 50,000 Gallons	1.72
Over 50,000 Gallons	1.90

2" Meter - Residential & Commercial

First 80,000 Gallons	1.72
Over 80,000 Gallons	1.90

3" Meter - Residential & Commercial

First 160,000 Gallons	1.72
Over 160,000 Gallons	1.90

...

4" Meter – Residential & Commercial

First 250,000 Gallons	1.72
Over 250,000 Gallons	1.90

6" Meter – Residential & Commercial

First 500,000 Gallons	1.72
Over 500,000 Gallons	1.90

Standpipe – Bulk Water

All Gallons	\$1.90
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SERVICE LINE AND METER INSTALLATION CHARGE

(Refundable pursuant to A.A.C. R14-2-40-5)

	<u>Service</u> <u>Line</u> <u>Charge</u>	<u>Meter</u> <u>Installation</u> <u>Charge</u>	<u>Total</u> <u>Charge</u>
5/8" x 3/4" Meter	\$400	\$100	\$500
3/4" Meter	415	160	575
1" Meter	450	225	675
1 1/2" Meter	470	430	900
2" Meter	750	1,415	2,165
3" Meter	960	1,700	2,660
4" Meter	1,500	2,765	4,265
6" Meter	2,100	5,650	7,750

SERVICE CHARGE:

Establishment	\$35.00
Reconnection (Delinquent)	45.00
After Hours Service Charge	50.00
Meter Test (If Correct)	30.00
Deposit	*
Deposit Interest	**
Re-Establishment (Within 12 Months)	***
NSF Check	\$20.00
Deferred Payment, Per Month	****
Meter Reread (If Correct)	\$20.00
Late Payment Fee (Per Month)	*****

* Per A.A.C. R14-2-403(B).

** Per A.A.C. R14-2-403(B) 6%

*** Number of months off the system times the monthly minimum per A.A.C. R14-2-403(D)

**** 1.50 percent per month of unpaid balance per A.A.C. R14-2-409(G)

***** 1.50 percent per month of unpaid balance per month of \$5 whichever is greater.

...

1 IT IS FURTHER ORDERED that the revised schedules of rates and charges shall be effective
2 for all service provided during Golden Shores Water Co., Inc.'s next regular billing cycle.

3 IT IS FURTHER ORDERED that Golden Shores Water Co., Inc. shall notify its customers of
4 the authorized rates and charges and their effective date, as well as information generally explaining
5 the Water Infrastructure Financing Authority of Arizona loan surcharge, the approximate date that the
6 Water Infrastructure Financing Authority of Arizona loan surcharge is expected to go into effect, and
7 that the Water Infrastructure Financing Authority of Arizona loan surcharge is estimated to be \$2.65
8 per customer per month, in a form acceptable to the Commission's Utilities Division Staff, by means
9 of an insert in its next regularly scheduled billing or as a separate mailing.

10 IT IS FURTHER ORDERED that Golden Shores Water Co., Inc. shall file with Docket Control,
11 as a compliance item in this docket, within ten (10) days after the date notice is sent to its customers, a
12 copy of the notice provided to customers.

13 IT IS FURTHER ORDERED that Golden Shores Water Co., Inc. is authorized to incur long-
14 term debt financing pursuant to a loan agreement with the Water Infrastructure Financing Authority of
15 Arizona, in an amount not to exceed \$514,700.

16 IT IS FURTHER ORDERED that any unused debt authorization granted in this proceeding
17 shall terminate on November 30, 2017.

18 IT IS FURTHER ORDERED that Golden Shores Water Co., Inc. shall provide to the
19 Commission's Utilities Division Staff, upon request, a copy of any loan documents executed pursuant
20 to the authorizations granted herein.

21 IT IS FURTHER ORDERED that Golden Shores Water Co., Inc. shall file with Docket Control,
22 as a compliance item in this docket, within thirty (30) days of the execution of any financing transaction
23 authorized herein, a notice confirming that such execution has occurred and a certification by an
24 authorized Company representative that the terms of the financing fully comply with the authorizations
25 granted herein.

26 IT IS FURTHER ORDERED that, upon filing notice confirming the loan's execution, Golden
27 Shores Water Co., Inc. may file with Docket Control, in this docket, an application requesting
28 implementation of the loan surcharge, as discussed herein.

1 IT IS FURTHER ORDERED that the Commission's Utilities Division Staff shall calculate the
2 appropriate Water Infrastructure Financing Authority of Arizona loan surcharge amount and prepare
3 and file a recommended order for Commission consideration, within thirty (30) days of the approval
4 of Golden Shores Water Co., Inc.'s application requesting implementation of the Water Infrastructure
5 Financing Authority of Arizona loan surcharge.

6 IT IS FURTHER ORDERED that the actual amount of the Water Infrastructure Financing
7 Authority of Arizona loan surcharge be calculated based upon the actual terms of the Water
8 Infrastructure Financing Authority of Arizona loan and actual number of customers at the time of loan
9 closing.

10 IT IS FURTHER ORDERED that upon approval of the loan surcharge, Golden Shores Water
11 Co., Inc. shall open a separate interest-bearing account in which all loan surcharge monies collected
12 from customers will be deposited.

13 IT IS FURTHER ORDERED that Golden Shores Water Co., Inc. shall only disburse funds
14 from the separate interest-bearing account for debt service payments to the Water Infrastructure
15 Financing Authority of Arizona and reserve payments to the Water Infrastructure Financing Authority
16 of Arizona.

17 IT IS FURTHER ORDERED that Golden Shores Water Co., Inc. shall record the loan principal
18 portion of the surcharge in its books and records as Contributions in Aid of Construction.

19 IT IS FURTHER ORDERED that the Water Infrastructure Financing Authority of Arizona loan
20 surcharge automatically expire at the end of the loan term, usually 240 months, or upon full payment
21 of the loan, whichever occurs first.

22 ...

23 ...

24 ...

25 ...

26 ...

27 ...

28 ...

1 IT IS FURTHER ORDERED that Golden Shores Water Co., Inc. shall use the depreciation
2 rates delineated in Table F of the Engineering Report portion of the Staff Report in this matter.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
5

6 CHAIRMAN LITTLE

COMMISSIONER STUMP

8
9 COMMISSIONER FORESE

COMMISSIONER TOBIN

COMMISSIONER BURNS

10
11 IN WITNESS WHEREOF, I, JODI A. JERICH, Executive
12 Director of the Arizona Corporation Commission, have hereunto
13 set my hand and caused the official seal of the Commission to be
14 affixed at the Capitol, in the City of Phoenix, this
15 day of _____ 2016.

16 JODI A. JERICH
EXECUTIVE DIRECTOR

17 DISSENT _____
18

19 DISSENT _____
20 SP:rt
21
22
23
24
25
26
27
28

1 SERVICE LIST FOR:

GOLDEN SHORES WATER CO., INC.

2 DOCKET NOS.:

W-01815A-14-0173 AND W-01815A-16-0142

3
4 Mark Sparks
5 GOLDEN SHORES WATER COMPANY
6 P.O. Box 37
7 12812 Oatman Hwy.
8 Topock, AZ 86436

9 Janice Alward, Chief Counsel
10 Legal Division
11 ARIZONA CORPORATION COMMISSION
12 1200 West Washington Street
13 Phoenix, AZ 85007
14 JAlward@azcc.gov
15 TBroderick@azcc.gov
16 **Consented to Service by Email**

**KEPNER**

EXHIBIT A
Dana Kepner Company, Inc.
Western Industrial Supply, LLC

CUST.#: 42090000

SHIP TO: GOLDEN SHORES WATER CO INC
PO BOX 37

TOPOCK, AZ 86436-0037

REMIT TO:

Dana Kepner Company, Inc.
PO Box 710281
Denver, CO 80271-0281BILL TO: GOLDEN SHORES WATER CO INC
PO BOX 37

TOPOCK, AZ 86436-0037

4/13/14

UPC VENDOR	INVOICE DATE	ORDER NO.
000000		4524763-00
P.O. NO.		PAGE #
		1

INSTRUCTIONS		TERMS
		Net 30 Days
SHIP POINT	SHIP VIA	SHIPPED

LINE NO.	PRODUCT AND DESCRIPTION	QUANTITY ORDERED	QUANTITY B.O.	QTY SHIPPED	QTY U/M	UNIT PRICE	AMOUNT (NET)
***** DRIVER MUST GO THROUGH ALL ORDERS WITH SOMEONE AT GSWC COMPANY WHEN DROPPING OFF MATERIAL *****							
1	67c382325n1 NL 3/4" C38-23-2.5 FORD METER CPLG METER SWIVEL NUT BY MALE IRON PIPE THREAD (2 1/2" LONG)	500			PCS	10.02 PCS	5010.00
2	67B43332WNL NL 3/4" FORD STRAIGHT BALL METER VALVE, PACK J	900			PCS	70.88 PCS	63792.00
3	113300DR9 3/4" X 300' CTS 200 PSI POLYETHYLENE TUBING DR 9	15			roll	0.24 /ft	1080.00
4	67I151 #51 FORD INSERT STIFFENER FOR 3/4" (CTS)	900			PCS	1.46 PCS	1314.00
4	Lines Total		Qty Shipped Total	2315		Total Invoice Total	71196.00 71196.00

KEPNER

Last Page

Dana Kepner Co., Inc./Western Industrial Supply, LLC. standard terms and conditions apply. All returns must be approved and in full saleable condition. Returns will be subject to a restocking charge. Service charges will be applied to invoices that are not paid within terms.

DECISION NO. _____